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Vocational Rehabilitation Grants to States and Territories: Overview and Analysis of the Allotment Formula

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Summary

Title I of the Rehabilitation Act of 1973, as amended, authorizes the federal government to make grants to states and territories to provide vocational rehabilitation (VR) services to persons with disabilities who are interested in seeking and retaining employment. State and territorial VR agencies work with clients to determine their optimal employment outcomes and put together packages of services to help them meet these employment goals.

The authorization for the VR program expired at the end of FY2003; Congress has continued to make appropriations to the Department of Education to fund the program under the provisions of an extension clause in the Rehabilitation Act. Both chambers worked on bills in the 109th Congress that would formally extend this authorization through FY2011, but these bills did not result in the enactment of a law before the end of that Congress. Reauthorization bills were not taken up by either chamber in the 110th Congress, although the 111th Congress included a supplemental appropriation for the VR program in the American Recovery and Reinvestment Act of 2009. The President's FY2011 budget request proposes an extension of the VR appropriation as part of a reauthorization of the Workforce Investment Act of 2005.

Funds for the VR program are allotted to states and territories according to a formula that allocates money based on three factors: state allotments in FY1978, current state population, and current state per capita income.

However, a 2009 GAO report cited the VR funding formula as inequitable because the formula does not fully account for (1) the actual number of individuals with disabilities within a state or territory, (2) differences in the costs of providing VR services across states and territories, (3) the ability for a state or territory to meet its statutory fund-matching obligations to the program, and (4) varying population growth since the mid-1970s across states and territories.

Others have criticized the allotment formula for not ensuring that each state or territory is given an increase in funding to match increases in the cost of living. In addition, the formula has been criticized for not including measures related to a state's or territory's overall performance.

This report will be updated to reflect any major legislative activity.

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Introduction

Title I of the Rehabilitation Act of 1973, as amended, recognizes that individuals with disabilities face high levels of unemployment and poverty and authorizes the federal government to make grants available to states and territories for the purpose of providing vocational rehabilitation (VR) services to persons with disabilities to prepare for and engage in gainful employment.[1] VR grants are administered by the Rehabilitation Services Administration (RSA), an agency of the Department of Education (ED), and can be used by designated state or territorial agencies to provide customized supports and services to persons with disabilities with the goal of providing these persons increased opportunities to secure competitive employment and self-sufficiency. States and territories may establish a single VR agency (referred to as a combined agency) or establish separate agencies to handle persons with general disabilities and persons with blindness. States and territories are required to match a portion of their federal grants and contribute 21.3% of the total cost of providing VR services.

In FY2005, states and territories spent more than $1.7 billion on VR services.[2] In 2005, state and territorial VR agencies worked with nearly 1.4 million clients and helped more than 206,000 persons with disabilities achieve employment.[3]

The authorization for VR grants to states and territories expired at the end of FY2003 and Congress has continued to make capped appropriations to fund the program under the provisions of an extension clause in the law. The House of Representatives and Senate each passed bills to reauthorize the VR program in both the 108th and 109th Congresses, however, these efforts did not become law. There was no action taken on the reauthorization of the VR program in the 110th Congress, but a supplemental appropriation for the program was included in the American Recovery and Reinvestment Act of 2009 in the 111th Congress.[4]

This report provides an overview of the VR program, including discussions on the eligibility for VR services, the types of services provided by state and territorial VR agencies, and the requirements concerning state plans and fund-matching requirements that states and territories must meet in order to qualify for federal grants.

This report also discusses the current authorization for VR grants and recent legislative attempts to extend this authorization. In addition, it describes the formula used to determine each state and territory's allotment of VR funds. Also included is a discussion of a recent Government Accountability Office (GAO) study that highlights several problems stemming from the current formula, including its lack of accounting for (1) populations of individuals with disabilities, (2) differences in the costs of administering VR services, (3) the ability of states and territories to meet fund-matching requirements, and (4) issues related to the use of FY1978 allotments as a baseline.

Finally, potential issues for the 112th Congress are discussed.

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[1] The Rehabilitation Act of 1973 (P.L. 93-112) was amended in 1974 (P.L. 93-516), 1976 (P.L. 94-230), 1978 (P.L. 95-602), 1984 (P.L. 98-221), 1986 (P.L. 99-506), 1992 (P.L. 102-569), 1993 (P.L. 103-73), and 1998 (P.L. 105-220).

[2] This amount excludes administrative costs and is less than the total appropriation for FY2004.

[3] Data taken from the RSA website at http://www2.ed.gov/rschstat/eval/rehab/statistics.html, Table 14. Client data includes all persons who had contact with a vocational rehabilitation agency, from initial application through employment. As of December 29, 2010, FY2005 is the latest data available.

[4] P.L. 111-5, hereafter referred to as the Recovery Act.

Individual Eligibility for Vocational Rehabilitation Services

Section 102(a) of the Rehabilitation Act of 1973 establishes the requirements a person must meet in order to be eligible to receive VR services from a state or territorial agency.[5] The requirements state that a person must be an individual with a disability and must also need VR services to become employed, stay employed, or return to previous employment.

Definition of Disability

A person is considered to be an individual with a disability for the purposes of eligibility for VR services if he or she

> (i) has a physical or mental impairment which for such individual constitutes or results in a substantial impediment to employment, and (ii) can benefit in terms of an employment outcome from vocational rehabilitation services pursuant to Title I, III, or VI (of the Rehabilitation Act of 1973).[6]

The definition of disability used by the VR program is different from that used by the Social Security disability programs. In order to receive VR services a person does not need to be eligible for, or have applied for, Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI).[7] However, Section 102(a)(3) of the Rehabilitation Act of 1973 specifies that any person receiving SSDI or SSI benefits shall be presumed to be eligible for VR services if he or she intends to pursue employment.[8] Each state or territorial agency is responsible for determining the eligibility of applicants for VR services consistent with program rules specified in Section 102 of the act and in the Code of Federal Regulations (CFR).[9]

Order of Selection to Receive Services

If a state or territorial VR agency feels that it will not have enough resources to provide services to all eligible persons with disabilities during a given fiscal year, then it must notify the RSA that it will implement an "Order of Selection" plan to determine which persons will have the first priority to receive services. Regulations require that the order of selection plan must ensure that persons with the "most significant disabilities" will be able to receive services before other eligible persons.[10] Other persons not placed in the priority group may be placed on a waiting list but are not guaranteed services. A state or territorial agency is given a certain degree of latitude in determining how it will set up its order of selection system and neither the Rehabilitation Act of

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[5] 29 U.S.C. § 722(a).

[6] 29 U.S.C. § 705(20). Title III of the Rehabilitation Act of 1973 authorizes demonstration projects, including projects for migrant farm workers. Title VI of the act authorizes projects with industry and supported employment programs.

[7] Supplemental Security Income (SSI) benefits are means tested and are available to adults and children with disabilities and persons aged 65 or older with or without disabilities. In this report, SSI benefits will only refer to benefits paid to adults and children with disabilities. For additional information on the SSI program, see CRS Report RL32279, *Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)*, by Umar Moulta-Ali.

[8] 29 U.S.C. § 722(a)(3).

[9] 34 C.F.R. §§ 361.41-361.44.

[10] 34 C.F.R. § 361.36(a)(3)(iv)(A).

1973 nor the CFR provide firm requirements on how agencies should determine which persons have the most significant disabilities.[11]

Although SSDI and SSI beneficiaries are presumed to be eligible for VR services, they may not be deemed to have the most significant disabilities by their state or territorial VR agency. In such a case, it would be possible for a state to deny VR benefits to persons receiving benefits from a Social Security disability program. If a SSDI or SSI recipient is a participant in the Ticket to Work program, but deemed not eligible for VR services because of an order of selection rule, he or she would not be able to use a Ticket to Work voucher to pay for VR services from a state or territorial agency and would be required to obtain services from a private sector employment network.[12]

States and territories may implement order of selection plans at the beginning of a fiscal year or during a fiscal year if it becomes likely that they will not be able to provide services to all eligible persons. For FY2009, 40 of the 80 state and territorial VR agencies are operating under order of selection procedures.[13] The longest continuous order of selection is in Georgia, which first established its procedure in 1979. **Table A-1** and **Table A-2**, in **Appendix A**, provide the order of selection status for each of the 80 state and territorial VR agencies for FY2009. Of the 32 states and territories with combined VR agencies, 18, or 56%, are operating under an order of selection procedure. In addition, 16 of the 24 general VR agencies (67%) and six of the 24 agencies serving the blind (25%) have orders of selection in place.

At the end of FY2007, 41,224 individuals were on waiting lists for VR services because of state and territorial orders of selection.[14] There is wide variance in the size of state and territorial waiting lists. At the end of FY2007, six agencies operating under orders of selection had no waiting lists while the waiting list in Tennessee had almost 10,000 persons on it and there were 12,098 persons on the waiting list for services from the Washington general VR agency.[15]

Services Provided by Vocational Rehabilitation Agencies

VR agencies provide a wide range of customized services to their clients. Agency staff work with each client individually to design a package of services that are intended to help the client achieve his or her employment goal. There is no master list of services that can or cannot be provided by VR agencies and no package of services that are provided to every client.

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[11] For additional information on the procedures used to establish an order of selection system, see Ronald M. Hager, *Order of Selection for Vocational Rehabilitation Services: An Option for State VR Agencies Who Cannot Serve All Eligible Individuals*, Cornell University, Work Incentives Support Center, Policy and Practice Brief 23, November 2004; available on the Cornell University Employment and Disability Institute website at http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1058&context=edicollect.

[12] For additional information on the Ticket to Work program, see CRS Report RL31157, *The Ticket to Work and Work Incentives Improvement Act of 1999: Implementation Status*, by Jennifer Hess and Karen Tritz (out of print, but available to congressional clients upon request from the author).

[13] Order of selection information for FY2009 is the latest available data.

[14] Data is taken from annual state reports provided to the Rehabilitation Services Administration (RSA) as part of its Management Information System (MIS). The RSA MIS is available on the Department of Education website at http://rsa.ed.gov/MIS/choose.cfm. Waiting list information for FY2007 is the latest available data.

[15] FY2007 is the latest available data for agency waiting lists.

Individualized Plan for Employment (IPE)

The core of the VR service model is the Individualized Plan for Employment (IPE). Every client who receives services from a VR agency prepares an IPE with the assistance of agency staff. The IPE states the employment goal of the client as well as the specific services that the agency will provide to help the client reach his or her goal.

Before an IPE can be created, staff of the VR agency perform an assessment of the client. This assessment looks at the factors that may affect the client's prospects for employment, including factors related to the client's disability, work history, and educational background. The assessment also identifies the client's specific needs that can be met by the VR agency.

Although the staff of the VR agency provides assistance to the client in the preparation of the IPE, it is the client that has the final say on his or her employment goal and the services that he or she would like to be provided with. The staff member has the responsibility of providing the client with enough information about available jobs and services to assist the client in making an informed choice about his or her employment goal and service package. Clients may develop their own IPEs with the assistance of persons outside of the VR agency. However, the agency must approve all IPEs before services can be provided. The IPE is reviewed by the staff and the client at least once per year and changes are made if necessary.

Section 102(b)(3) of the Rehabilitation Act of 1973 specifies that an IPE must include the following items:

- the specific employment outcome chosen by the client;
- the specific VR services that will be provided to the client;
- the time line for starting services and achieving the employment outcome;
- the specific entity, selected by the client, from which services will be obtained;
- the criteria that will be used to evaluate the progress made by the client;
- the responsibilities of the client, the VR agency, and other entities included in the IPE;
- the extended services that will be needed if the client is expected to need supported employment; and
- the projected need for post-employment services.[16]

Case Closure and Employment Outcomes

An individual can exit the VR program, and the record can be closed, if an agency determines that he or she

- is ineligible for VR services;
- received services under an IPE but did not achieve an employment outcome; or
- is eligible for VR services but did not receive services under an IPE.[17]

VR agencies generally work with clients until their selected employment goals are met. A VR case is usually not considered closed until all of the following conditions have been met:

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[16] 29 U.S.C. § 722(b)(3).

[17] An individual could be deemed eligible for VR services but, for any number of reasons, choose not to use the services of the VR agency.

- the client has achieved the employment outcome specified in his or her IPE;
- the client has maintained the employment outcome for a period of at least 90 days;
- the client and the VR counselor meet after 90 days of employment and agree that the employment outcome is satisfactory; and
- the client is informed of the availability of post-employment services.[18]

For cases that resulted in employment outcomes in FY2005, clients received VR services for an average of 26.3 months.[19]

State Vocational Rehabilitation Plans and Matching Requirements

State Plans

To qualify for funding under the Rehabilitation Act of 1973, a state or territory must file a state plan with the Department of Education. This plan must designate the state or territorial agency that will provide VR services and must specify if a separate state agency will provide services to blind clients. A state or territory's order of selection plan must also be included as part of the state plan. The state plan must demonstrate how the state or territory will meet the specific requirements of Section 101 of the act, including requirements concerning program goals and evaluation, cooperation with other agencies, the IPE process, and the provision of VR services to qualified individuals.[20] A state plan does not have to be submitted each year, but must be amended to reflect any changes in state VR policy.

Matching Requirement

Section 104 of the Rehabilitation Act of 1973 includes a requirement that states and territories that receive VR grants match a portion of their federal allotment with state or territorial funds.[21] Section 7(14) of the act sets the federal share of VR funding at 78.7% and requires that states and territories provide the remaining 21.3% of VR funding.[22]

Authorization for Federal Funding of Vocational Rehabilitation

Section 100(b)(1) of the Rehabilitation Act of 1973 authorizes Congress to make appropriations to DE for the purposes of providing VR grants to states and territories.[23] For each year authorized,

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[18] 34 C.F.R. § 361.56.

[19] Data taken from the RSA website at http://www2.ed.gov/rschstat/eval/rehab/statistics.html, Table 14. FY2005 is the most recently available data.

[20] 29 U.S.C. § 721.

[21] 29 U.S.C. § 724.

[22] 29 U.S.C. § 705(14).

[23] 29 U.S.C. § 720(b)(1).

the appropriation for VR grants must be no lower than the previous year's appropriation increased by the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U).[24] This authorization expired at the end of FY2003.

The mandatory minimum increase in appropriations is based on the change in the CPI-U reported in October of each year. The October CPI-U report is released in November of each year, a month after the beginning of the federal fiscal year. Therefore, the appropriation for a given fiscal year is based on the appropriation for the previous fiscal year increased by the change in the CPI-U reported for October of the second previous fiscal year. For example, the mandatory minimum appropriation for FY2003 was based on the appropriation for FY2002 increased by the change in the CPI-U between October 2000 and October 2001.

Extension of Authorization

Although the authorization for the VR appropriation expired at the end of FY2003, Section 100(d) of the Rehabilitation Act of 1973 includes a provision to automatically extend this authorization for years after the final authorized fiscal year if Congress has not amended the act to extend the authorization.[25] Under the provisions of this extension, the appropriations for VR grants are capped at the amount appropriated in the previous fiscal year increased by the percentage change in the CPI-U using the same method outlined above.

Effect of the Extension of Authorization on Appropriations

The extension of authorization provision sets a cap on the amount Congress can appropriate to DE for VR state grants until the act is reauthorized. Appropriations under this provision are capped at the previous year's level increased by the change in the CPI-U. This funding cap went into effect with the expiration of the VR authorization at the end of FY2003 and was first part of the appropriations process for FY2004.

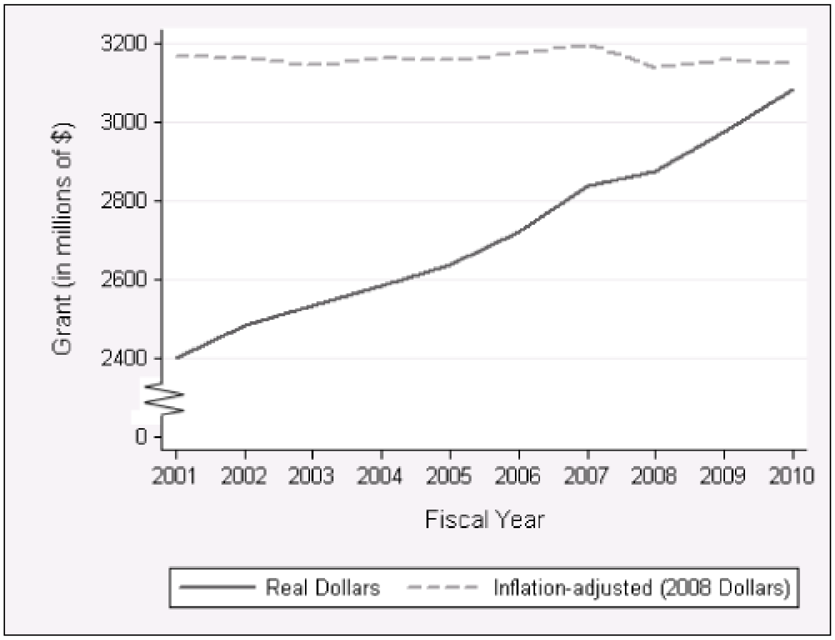
Figure 1 and **Figure 2** show the appropriations and change from the previous fiscal year for the period FY2001 through FY2010. Because the authorization is under extension beginning in FY2004, appropriations after FY2003 are capped at the rate of the increase in the CPI-U.[26] Because the funding in years prior to the extension of budget authority was at the minimum level of increase, the cap placed on appropriations by the expiration of the funding authority at the end of FY2003 has not had any practical impact on the overall funding level of the VR program. Indeed, **Figure 1** also illustrates that when adjusting for inflation, funding for the VR has remained relatively flat over the past decade.

[24] Section 100(c)(1) of the Rehabilitation Act of 1973 (29 U.S.C. § 720(c)(1)) requires the Department of Labor to publish, before November 15, the change in the Consumer Price Index for All Urban Consumers (CPI-U) from the previous fiscal year.

[25] 29 U.S.C. § 720(d).

[26] However, even before FY2004, annual vocational rehabilitation appropriations exceeded the growth in the CPI-U only in 1999.

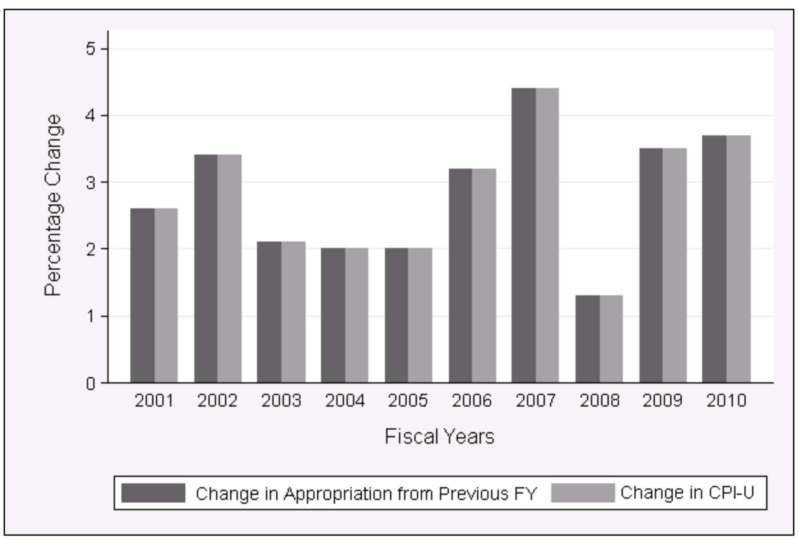
Figure 1. Vocational Rehabilitation Appropriations, FY2001-FY2010



Source: Congressional Research Service (CRS) figure with data on appropriations taken from the conference reports accompanying each FY's appropriations bill.

Notes: Data to accompany this figure can be found in **Table B-1** and **Table B-2** in **Appendix B**. Appropriations data also includes money appropriated to Native American Indian Tribes under the provisions of Section 121 of the Rehabilitation Act of 1973 (29 U.S.C. § 741).

Figure 2. Changes in Vocational Rehabilitation Appropriations and the Consumer Price Index for all Urban Consumers (CPI-U), FY2001-FY2010



Source: Congressional Research Service (CRS) figure with data on appropriations taken from the conference reports accompanying each FY's appropriations bill and data on the CPI-U taken from the website of the Department of Commerce, Bureau of Labor Statistics at ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt.

Notes: Data to accompany this figure can be found in **Table B-1** in **Appendix B**. Appropriations data also includes money appropriated to Native American Indian Tribes under the provisions of Section 121 of the Rehabilitation Act of 1973 (29 U.S.C. § 741).

The appropriation for a given fiscal year is based on the appropriation for the previous fiscal year increased by the change in the CPI-U reported for October of the second previous fiscal year using year-over-year data from the month of October. For example, the mandatory minimum appropriation for FY2010 was based on the appropriation for FY2009 increased by the change in the CPI-U between October 2007 and October 2008.

Recent Legislative Activity to Extend the Authorization for Vocational Rehabilitation Appropriations

Both the House of Representatives and the Senate passed bills in the 108th and 109th Congresses that would have, if enacted, extended the authorization for appropriations for VR state grants.[27] These bills were part of larger packages of legislation that would have made technical changes to the VR program and re-authorized the Workforce Investment Act of 1998.[28]

In the 108th Congress, H.R. 1261, the Workforce Investment Act Amendments of 2003, would have extended the authorization for VR state and territorial grants until the end of FY2009. This bill was passed by the House on May 8, 2003, and by the Senate on November 14, 2003, with the bills differing in areas not related to VR.[29] A conference committee was appointed to resolve the differences in the two versions of the bill but no conference report was issued and the bill was not considered for final passage into law.

In the 109th Congress, H.R. 27, the Job Training Act of 2005, would have extended the authorization for the VR program until the end of FY2011 and was passed by the House on March 2, 2005. S. 1021, the Workforce Investment Act Amendments of 2005, was incorporated into H.R. 27 as an amendment in the nature of a substitute and the amended version of H.R. 27 was passed by the Senate on June 29, 2006, which would have extended the authorization for appropriations for VR until the end of FY2011. The House and Senate bills in the 109th Congress largely differed on matters unrelated to VR and no conference committee was ever formed. A final version of these bills was not passed by the 109th Congress.

No bills to extend VR appropriations were introduced in the 110th or the 111th Congress; however, the Recovery Act provided a supplemental appropriation of $540 million to improve employment outcomes for individuals with disabilities.[30]

FY2011 Budget Request

As part of a proposal to reauthorize the Workforce Investment Act (WIA), the President's FY2011 request includes provisions for consolidating several programs authorized under the Rehabilitation Act. According to the budget proposal, the proposed consolidations would reduce

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[27] For additional information on legislation related to vocational rehabilitation in the 109th Congress, see CRS Report RL33249, *Rehabilitation Act of 1973: 109th Congress Legislation, FY2006 Budget Request, and FY2006 Appropriations*, by Scott Szymendera.

[28] For additional information on the Workforce Investment Act of 1998 and its re-authorization, see CRS Report RL32778, *The Workforce Investment Act of 1998 (WIA): Reauthorization of Job Training Programs in the 109th Congress*, by Blake Alan Naughton and Ann Lordeman.

[29] The Senate's version of this bill was S. 1627 and did not differ significantly on issues related to vocational rehabilitation from the House version. The Senate incorporated S. 1627 into H.R. 1261 as an amendment in the nature of a substitute and passed this amended version of H.R. 1261.

[30] Provisions of the Recovery Act supplemental did not contain a fund-matching requirement, but regulations mandated that states and territories meet certain performance standards for a portion of the grant. For further information, see CRS Report R40542, *FY2009 Federal Funding for Vocational Rehabilitation State Grants*, by Scott Szymendera.

duplication and administrative costs and improve program management, accountability, and the provision of rehabilitation and independent living services.[31]

Vocational Rehabilitation Allotment Formula

Sections 8 and 110 of the Rehabilitation Act of 1973 provide a formula to be used by the RSA in determining each state and territory's allotment of appropriated VR funds.[32] This allotment formula does not take into account a state or territory's population of individuals with disabilities, or the employment rate of a state or territory's VR clients. Rather, the formula is based on the following three factors:

- the state or territory's VR allotment in FY1978;[33]
- the state's current per capita income as compared to the national per capita income;[34] and,
- the state or territory's current population.[35]

A two-step process is used to determine each state and territory's VR allotment. In the first step, the *Allotment Percentage* is determined using the formula specified in Section 8 of the act. In the second step, this allotment percentage is used in a formula specified in Section 110 of the act to determine the *Final Allotment* for each state and territory.

Step 1. Determine A State's Allotment Percentage

Each state is assigned an allotment percentage that is used in Step 2 of the allotment formula. In general, the larger a state's allotment percentage, the larger its final allotment of VR funds will be. A state with a larger per capita income relative to other states will have a smaller allotment percentage.

$$AllotmentPercentage = 100\% - \left[\frac{StatePerCapitaIncome}{NationalPerCapitaIncome} \times 50\% \right]$$

This formula is not used for territories or the District of Columbia. The allotment percentage for these jurisdictions is set at 75%. No state may have an allotment percentage less than 33% or greater than 75%. If a state's allotment percentage falls outside of these boundaries, it is automatically increased to 33% or decreased to 75% as necessary. Each state's allotment percentage is calculated only in even numbered years and is current for that year and the following year.

[31] For a more detailed discussion and a description of programs proposed to be consolidated by the Rehabilitation Act, see http://www2.ed.gov/about/overview/budget/budget11/summary/edlite-section4.html#descriptions.

[32] 29 U.S.C. §§ 706, 730.

[33] A state or territory's allotment in FY1978 was based on a state's population and its allotment percentage determined using the same formula currently used in Step 1.

[34] This factor does not apply to the District of Columbia or the territories. A state's per capita and the national per capita income is determined by taking the average of the per capita income for the most recent three consecutive years as determined by the Department of Commerce.

[35] A state or territory's population is determined by taking the most recent data published by the Department of Commerce before October 1 of the year preceding the fiscal year of the appropriation.

A state's per capita income as compared with the national per capita income has an inverse relationship to the final allotment. The higher a state's per capita income as compared with the national per capita income, the lower its final allotment of VR funds.

Step 2. Determine the Final Allotment

$$FinalAllotment = State's FY1978 Allotment +$$
$$\left[\frac{\left(StatePopulation \times AllotmentPercentage^2\right)}{\sum_{AllStates}\left(StatePopulation \times AllotmentPercentage^2\right)} \times \frac{ExcessAmount}{2}\right] +$$
$$\left[\frac{\left(StatePopulation \times AllotmentPercentage\right)}{\sum_{AllStates}\left(StatePopulation \times AllotmentPercentage\right)} \times \frac{ExcessAmount}{2}\right]$$

In Step 2, the formula uses the allotment percentage and a squared term of the allotment percentage calculated in Step 1.[36] The *Excess Amount* is the difference between the total appropriation for the current fiscal year and the total appropriation for FY1978. Step 2 also uses annual population estimates for states and territories, as calculated by the US Census Bureau.[37]

No state's final allotment can be less than one-third of 1% of the total amount appropriated for any given fiscal year, or $3 million, whichever is greater.[38] If a state falls below this amount, its final allotment is increased to this level and the final allotments of all other states are decreased in proportion to their share of the total appropriation.

A state or territory's VR allotment in FY1978 and its population both have a direct relationship to its current final allotment. States and territories that received larger allotments in FY1978 and states or territories with larger populations will receive larger allotments of VR funding.

The VR allotment formula does not contain a year-over-year, hold harmless provision and it is possible that a state or territory could receive less in a given fiscal year than it did in a previous fiscal year. This occurred in FY2008, when Hawaii, Louisiana, Nevada, New York, and the Northern Mariana Islands saw their final allotments decrease from FY2007. That year, the reduction in funding for the Northern Mariana Islands and Louisiana was due to a drop in population, whereas Hawaii, Nevada, and New York saw their per capita incomes grow faster than the national average.

The VR allotments for each state and territory for FY2009 can be found in **Table B-3** in **Appendix B**.

Reallotment

Section 110(b) of the Rehabilitation Act of 1973 requires that the RSA commissioner determine each year if any state or territory will not be able to fully spend its VR allotment and then reallot

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[36] The use of the squared term of the allotment percentage in 'Step 2' of the formula magnifies the influence of a per capita income on a state's final allotment.

[37] The US Census Bureau estimates mid-year state and territory populations on July 1 of each year. Therefore, for the current fiscal year, final allotments are calculated using population estimates from the month of July, prior to the previous fiscal year. For example, final allotments for FY2010 are calculated using July 1, 2008 population estimates.

[38] This provision does not apply to the territories but does apply to the District of Columbia.

this money to states that will be able to fully utilize these funds.[39] This determination must be made no later than 45 days before the end of the fiscal year with the reallotment taking place as soon as is practical but not after the end of the fiscal year.

There is no law or regulation governing how the RSA must reallot these funds. However, current RSA policy is to first make reallotments to those states and territories that did not see their original allotment increase by at least the increase in the CPI-U and then make any additional reallotments in accordance with the standard VR allotment formula.[40] States must request a reallotment and must provide matching state funds according to the standard VR matching requirements that set the federal share at 78.7% and the state share at 21.3%. Money realloted to states and territories or money not expended after the reallotment period can be carried over into the next fiscal year.

Analysis of the Vocational Rehabilitation Funding Formula

A state or territory's VR allotment is based on its allotment in 1978, its per capita income, and its population. The size of a state or territory's population of individuals with disabilities, the varying costs of providing VR services, the ability of a state or territory to match allotted funds, and high population growth in certain states and territories are not fully factored into determining how much money a state or territory will have available for VR services.

GAO Assessment of the Funding Formula

In 2009, the Government Accountability Office (GAO) completed an investigation into the VR formula.[41] The study concluded that the formula fell short of allocating grant funds to states and territories in an equitable manner, based on the following four issues:

- First, general population estimates do not accurately reflect a state or territory's actual population of individuals with disabilities. As a result, funding allotments are disproportionate to the size of a state or territory's caseload for VR services.
- Second, the current funding formula does not account for differences in the costs of providing VR services across states and territories.
- Third, the current funding formula does not account for a state or territory's ability to pay its share of the funding and, as a result, unspent funds are frequently returned to the RSA for reallotment.
- Fourth, the current formula's use of a state or territory's 1978 allotment as a baseline lessens the impact of a state's population on its allotment and tends to negatively affect states with large population growth since 1978.

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[39] 29 U.S.C. § 730(b).

[40] Department of Education, Rehabilitation Service Administration, *Information Memorandum RSA-IM-06-08: FY 2006 Reallotment Schedule for Formula Grants Under the Rehabilitation Act*, June 22, 2006, available on the website of the Department of Education at http://www.ed.gov/policy/speced/guid/rsa/im-06-08.pdf. The Workforce Investment Act of 1998 (S. 1627) in the 108th Congress and The Workforce Investment Act Amendments of 2005 (S. 1021) in the 109th Congress contained provisions that would have given states that did not receive an increase in appropriations equal to the increase in the CPI-U priority when applying for reallotment funds.

[41] U.S. Government Accountability Office, *Vocational Rehabilitation Funding Formula: Options for Improving Equity in State Grants and Considerations for Performance Incentives*, GAO-09-798, September 2009. (Hereafter cited as GAO-09-798).

General Population Estimates Do Not Accurately Reflect a State or Territory's Population of Individuals with Disabilities

The current VR formula uses annual population estimates from the Census Bureau as a factor in distributing grants to states and territories. The use of this figure falsely assumes that the working-aged population of individuals with disabilities is proportionately distributed across states and territories. For example, some states and territories may have large general populations, but a relatively low proportion of individuals with disabilities. Conversely, other states and territories may have smaller general populations, but a relatively high proportion of individuals with disabilities. For example, according to the GAO, New Mexico had a slightly larger population than West Virginia (2 million compared with 1.8 million) in 2007, and as result would have received equal treatment for funding under the "population" component of the current formula. However, nearly 13% of West Virginia's working-aged adult population is composed of individuals with disabilities, compared with 8.7% of New Mexico's population.[42]

Presumably, the size of a state or territory's population of individuals with disabilities serves as a proxy for the number of individuals who will potentially seek VR services. The use of general population estimates—rather than estimates of the population of individuals with disabilities—has resulted in an allocation of grants that does not take this specific sub-population into account. Because neither the size of a state or territory's caseload nor the population of individuals with disabilities is part of the allotment formula, state and territorial VR agencies are often unable to provide services for persons that seek them. Currently, half of all state VR agencies are operating under orders of selection which require that they establish waiting lists for vocational services and provide services to persons determined to have the most significant disabilities (see **Table A-1** and **Table A-2** in **Appendix A**). More than 41,000 persons with disabilities seeking VR services are currently waiting on these lists.

The Formula Does Not Account For Differences in the Costs of Providing Services Across States and Territories

The current VR formula fails to account for differences in the cost of providing services across states and territories. For example, using a basic measure of "service costs" that estimates the average price of wages for labor and rent for office space (essential components of a service agency) across the 50 states, GAO demonstrates, for instance, that the cost of providing VR services in Idaho would be 24% less expensive than the cost of providing similar services in Massachusetts.[43] This suggests that states that have higher costs are unable to provide the same level of services, dollar-for-dollar, as compared with states with lower costs. For example, based on the FY2008 allotments, GAO estimates that the western coastal states of Washington, Oregon, California, and Nevada spent less than $115 for each individual with a disability in the VR program, compared with the $129-$150 that the southeastern coastal states of Florida, Georgia, and North Carolina (where rent and labor expenses are lower) spent on their clients. **Figure 3** illustrates the estimated ranges of FY2008 grant allotments, per working-aged person with a disability, adjusted for the costs of wages and rents between states.

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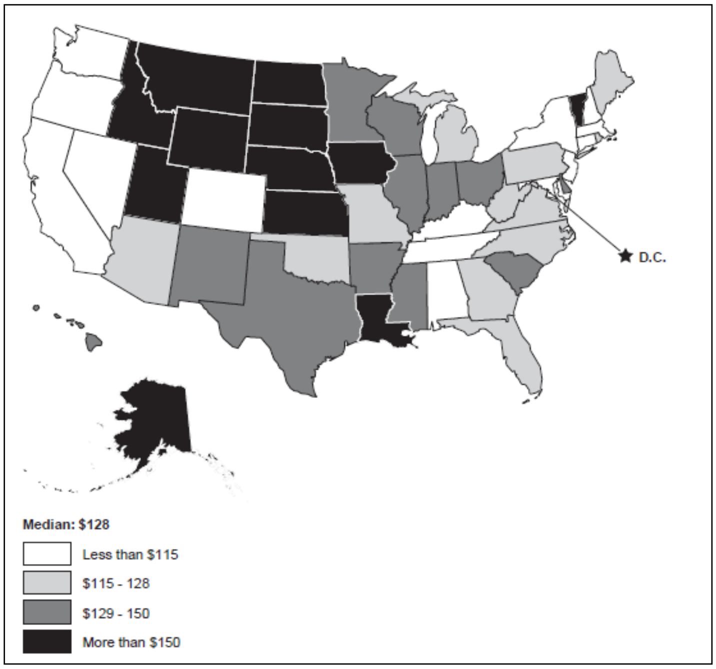
[42] GAO uses data from the Census Bureau's 2006 and 2007 American Community Survey to estimate the disability rate by calculating the number of civilian, working-aged individuals with disabilities divided by the total estimated population. Their measure is derived from a series of five questions on the ACS that ask individuals about the prevalence of blindness, deafness, vision and hearing impairments, as well as physical, mental, and emotional conditions. The ACS is conducted in all 50 states and Puerto Rico, but not in other US territories. For more information, see GAO-09-798, p. 30 (Appendix I).

[43] For more information, see GAO-09-798, p. 33.

Figure 3. Estimated State Vocational Rehabilitation Allotments per Working-Aged Person with a Disability, Cost-Adjusted, Based on FY2008 Funding



Source: Adapted from "Figure 2" in *GAO-09-798*, p10: GAO analysis of data from Education, Census Bureau, BLS, HUD, and responses to GAO survey.

Notes: "Cost-adjusted" refers to the value of services that agencies are able to expend on each client based on FY2008 funding and the varying costs of rent and labor within each state. Does not include any reallotments that occurred in FY2008.

The Formula Does Not Take Into Account a State or Territory's Ability to Pay its Share of the Match

The current VR allotment formula does not take into account a state or territory's ability or willingness to match the federal grant with state or territorial funds as required by law. As a result, states and territories that for political or economic reasons are not able to contribute the required 21.3% of total VR funding must return some of their federal funding to the RSA for reallotment. The Senate Committee on Health, Education, Labor and Pensions has recognized this as a problem with the current formula stating in its report on S. 1021 in the 109th Congress:

> Yearly, States return millions of Federally appropriated dollars to carry out vocational rehabilitation services program under Subtitle A to the Department of Education to redistribute, as they were unable to match the allotted funds with State dollars.[44]

As shown in **Table C-1** of **Appendix C**, since 2003, states and territories have returned more than $184 million in federal VR funds to the RSA for reallotment. This amount is just under 1% of the total federal funding for VR state and territorial grants during this period.

The current VR funding formula uses per capita income as a factor in determining fund distribution. Generally, states with a per capita income that is lower than the national average

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[44] U.S. Congress, Senate Committee on Health, Education, Labor, and Pensions, *Workforce Investment Act Amendments of 2005,* report to accompany S. 1021, 109th Cong. 1st sess., S.Rept. 109-134 (Washington: GPO 2005), p. 55.

receive a greater portion of funds. However, states with lower per capita income may also be the least likely to have the financial resources needed to match the additional funds that are allotted.

The Formula's 1978 Baseline Negatively Affects States With Population Growth Since the Mid-1970s

A unique feature of the VR allotment formula is its use of a state's 1978 allotment as a baseline for all current and future allotments. Although the formula also considers a state's per capita income and population, these variables only affect a state's share of the *excess amount*—the difference between the total appropriations for the current fiscal year and the total appropriations for FY1978. For FY2009, the excess amount makes up approximately 74% of the total VR appropriation meaning that about 26% of the total appropriation is not affected by the allotment formula but rather is distributed to match each state and territory's FY1978 allotment.[45]

To analyze the impact of the 1978 baseline on the VR allotment formula, each state and territory's FY2009 allotment is estimated using a modified formula that does not take into account a state or territory's allotment in FY1978. **Table D-1**, in **Appendix D** shows each state and territory's estimated allotment for FY2009 under this modified formula and the difference between these amounts and the actual allotments. This modified allotment is calculated by multiplying a state's share of the excess amount by the total appropriation for FY2009. In this table, states with positive differences between their actual and modified allotments are benefitting from the current formula and its use of the FY1978 allotment as a baseline while states with negative differences are not benefitting from this formula.

An analysis of the modified allotment formula as compared with the actual FY2009 state allotments shows that states with the largest increases in population from 1976 to 2007 also had the largest reductions due to the use of the FY1978 baseline to actual allotments. Arizona, the state with the second-largest population growth, also had the largest difference in allotments. Of the seven states with the largest differences in allotments, four were also among the top five states in population growth.[46] Statistical analyses of the data show a strong and significant negative correlation between a state's rate of population growth since 1976 and the difference between its FY2009 allotment and its modified allotment.[47] These negative correlations suggest that states with large increases in population since the mid-1970s have the largest differences between their actual and modified allotments under the current allotment formula. This analysis also suggests that the current VR allotment formula does not adequately account for population changes, such as migrations to the southern and western states during this period.[48]

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[45] The total appropriation in FY1978 was $759,317,831 whereas the total appropriation for FY2009 was $2,974,635,000.

[46] Arizona, Utah, Florida, and Nevada were four of the top five states in population growth between 1976 and 2007. Along with Hawaii, Delaware, and Oregon, they also had the largest reduction in VR allotment grants during this time period.

[47] The statistical analyses yielded a Spearman's Rank Order Correlation Coefficient of -0.7237 that was significant at the level of $p<0.0001$. These statistical tests measure the correlation between a state's population growth and the difference between its current and modified allotments, but they do not necessarily indicate a causal relationship between these variables. Additional information on the statistical analyses is available to congressional clients upon request from the author of this CRS report.

[48] In addition to providing a critique of the vocational rehabilitation formula, GAO also provides three options for re-working the formula to achieve greater equity in the grant distribution. The first option, a "partial beneficiary equity" formula, bases allocations solely on an estimate of the population of individuals with disabilities using data on civilian, working-aged adults from the ACS. The second option, a "full beneficiary equity" formula uses working-aged

Additional Analysis of the Vocational Rehabilitation Formula

Rehabilitation advocates have also raised several issues of concern with the current VR allotment formula. Advocacy groups have consistently called for changes in the formula, and have been particularly concerned with the following issues:

- First, the increase in the CPI-U that affects the total appropriation is not always passed on to each state or territory. As a result, some states and territories do not receive an increase in funding to keep pace with increased costs due to inflation.
- Second, the current funding formula does not account for a state's success at rehabilitating and returning clients to work.

The Increase in the CPI-U is Not Always Passed Along to the States and Territories

As shown in **Table B-1** and **Table B-2** of **Appendix B**, increases in the total federal appropriation for VR grants are meant to keep pace with price inflation as reflected by the CPI-U. However, although the total appropriation for VR grants increases each year to reflect higher prices, this increase does not necessarily translate to an increase for individual states and territories. There is no hold harmless provision in the law that guarantees that a state or territory will see a year-over-year increase in its VR allotment. The increased appropriation in any given fiscal year is distributed solely based on the VR formula, without regard for ensuring that an individual state or territory's allotment will also increase based on the change in the CPI-U.

In FY2009, four states and one territory received lower allotments than they had received in FY2008.[49] Also in FY2009, 15 states, two territories and the District of Columbia received increases that were less than the growth in the CPI-U that the total appropriation was indexed on.[50]

The Senate passed legislation in the 108th and 109th Congresses that would have partially dealt with this issue by requiring that states and territories that did not receive an increase in their VR allotment that was at least equal to the increase in the CPI-U from the previous year would receive the first priority for any reallotted funds. The RSA currently reallots funds using this method. Advocacy groups have taken this a step further, however, and both the National Rehabilitation Association and the Council of State Administrators of Vocational Rehabilitation (CSAVR) have publicly called for changes to the VR funding process that would ensure that each state and territory receives an annual allotment that keeps pace with the increases in the cost of living.[51]

disability populations, but also incorporates estimates of the cost of providing vocational rehabilitation services. The third "taxpayer equity" formula uses both working-aged disability populations and the costs of providing vocational rehabilitation services, but adds a third parameter that accounts for each state or territory's ability to meet its fund-matching obligations using data from the US Treasury Department's Total Taxable Resources database. For further information, see GAO-09-798, p14.

[49] The states of Georgia, Louisiana, Nevada, Wyoming, and the territory of American Samoa received less funding in FY2009 than they did in FY2008. This calculation excludes the Recovery Act supplemental grant.

[50] The states of California, Florida, Idaho, Indiana, Iowa, Kansas, Kentucky, Michigan, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, West Virginia, Wisconsin, the territories of Puerto Rico, the U.S. Virgin Islands, and the District of Colombia all received increases in their allotments that were less than the 3.5% increase in the CPI-U. This calculation excludes the Recovery Act supplemental grant.

[51] National Rehabilitation Association, *Recommendations for Reauthorization of the Rehabilitation Act*, January 29,

The Formula Does Not Take Into Account a State or Territory's Success at Rehabilitating and Returning Clients to Work

The allotment formula does not take into account a state or territory's performance in returning clients to the workforce and helping them maintain competitive employment. As a result, the Department of Education (ED) is left without a possible tool to encourage compliance with established performance standards and has no way to reward state or territorial agencies that are successful at returning clients to the workforce.

Section 107(c) of the Rehabilitation Act of 1973 does give the Secretary of Education the ability to withhold VR funding from any state or territory that is not in compliance with its published state plan or that is falling below the performance standards established by ED for the VR program. However, despite the fact that GAO identified two cases in FY2003 in which VR agencies failed to meet these performance standards, ED has never withheld funding from a state or territorial VR agency because of performance.[52]

GAO cited the inability of ED to establish a means to reward successful VR agencies with increased funding as part of the agency's overall inability to properly monitor and manage the performance of the state and territorial VR agencies that it provides funding to.[53] In addition, the Senate recognized this shortcoming in the current law and Section 421 of S. 1021 in the 109th Congress provided authorization for ED to provide incentive grants to states that demonstrated success at returning persons with disabilities to the workforce.[54] In its report on S. 1021, the Senate Committee on Health, Education, Labor, and Pensions stated

> Based on program data and other sources of information, it is apparent that there is a wide variation in the performance of individual State vocational rehabilitation agencies. In Section 421 of S. 1021 the Committee permanently authorizes the Administration's Vocational Rehabilitation Incentive Grants Program as a method to encourage State vocational rehabilitation agencies to improve their performance. The Committee intends that grant funds be used primarily to encourage State vocational rehabilitation agencies to adopt effective strategies to improve employment outcomes for individuals with disabilities receiving assistance under the vocational rehabilitation program.[55]

The Congressional Budget Office (CBO) estimated that these incentive grants would have cost $13 million in 2006 and $137 million over the period from 2006 through 2010.[56]

2003, available on the website of the National Rehabilitation Association at http://www.nationalrehab.org/website/govt/200240.html; and Council of State Administrators of Vocational Rehabilitation, *CSAVR Comments on H.R. 27*, February 14, 2005, available on the website of the Council of State Administrators of Vocational Rehabilitation at http://www.rehabnetwork.org/wia_rehab_act/hrcomments.htm.

[52] U.S. Government Accountability Office, *Vocational Rehabilitation: Better Measures and Monitoring Could Improve the Performance of the VR Program*, GAO-05-865 (Washington: GPO 2005), p. 35. (Hereafter cited as GAO-05-865).

[53] GAO-05-865.

[54] This provision was also included as Section 419 of S. 1627, the Workforce Investment Act Amendments of 2003, in the 108th Congress.

[55] U.S. Congress, Senate Committee on Health, Education, Labor, and Pensions, *Workforce Investment Act Amendments of 2005*, report to accompany S. 1021, 109th Cong. 1st sess., S.Rept. 109-134 (Washington: GPO 2005), p. 56.

[56] U.S. Congressional Budget Office, *S. 1021 Workforce Investment Act Amendments of 2005*, cost estimate (Washington: GPO 2005), p. 6.

Issues for the 112th Congress

Efforts to reauthorize the VR program without significant changes to the allotment formula or other aspects of the program were unsuccessful in the 108th Congress. The Workforce Investment Act Amendments of 2003 (H.R. 1261)—which would have extended the authorization for VR grants through FY2009—was passed by the House and Senate, but could not be reconciled in a conference committee, and a final version was not passed into law.

In the 109th Congress, H.R. 27, the Job training Act of 2005, which would have extended the authorization for the VR program through FY2011, was passed by the House. A subsequent Senate bill (S. 1021, the Workforce Investment Act Amendments of 2005) was incorporated into H.R. 27 and passed by the Senate. The bills differed for reasons unrelated to the VR program and no conference committee was ever formed. A final version of these bills was never passed.

Reauthorization of the program was not considered in the 110th Congress, although supplemental VR grants were appropriated as part of the Recovery Act. If Congress does consider reauthorization in 2010, it may want to consider making changes to several parts of the VR program. Possible areas for reform include the definition of disability used and the order of selection rules that give preference to persons with the most severe disabilities even though this group may be the least likely to return to work.

In addition, Congress may wish to consider some method for increasing the overall success rate of the VR program. Currently, the RSA has very little ability to give states and territories incentives to improve the return to work rate of their VR clients or to punish states that fail to meet established expectations for VR agencies. The Senate's reauthorization bill in the 109th Congress did include a program of authorization grants that could be used to reward states that demonstrate success at returning clients to the workforce, and the Recovery Act supplemental appropriation passed in the 111th Congress required agencies to report on program performance as a condition for receiving a portion of the funds.

As discussed in this report, the current formula fails to account for a state or territory's actual population of individuals with disabilities and a state or territory's ability to pay its share of the costs of VR services. In addition, this report has shown that the current formula does not ensure that funding increases due to changes in the cost of living are passed along to individual states and territories. The formula also does not take into account a state or territory's success at returning VR clients to work.

Finally, this report has also shown the impact of the allotment formula on the VR funding levels of states that have seen significant population growth since the 1970s. States with the largest increase in population since the mid-1970s have also had the largest reduction in VR funding due to the use of the FY1978 funding baseline in the allotment formula. These concerns with the allotment formula are areas that the House and Senate may consider if reauthorization of the VR program is proposed in the 112th Congress.

Appendix A. Order of Selection Status for State and Territorial Vocational Rehabilitation Agencies

Table A-1. Order of Selection Status for States and Territories with Combined Vocational Rehabilitation Agencies, FY2009

State	Order of Selection	State	Order of Selection
Alabama	No	North Dakota	No
Alaska	No	Ohio	Yes
Arizona	Yes	Oklahoma	Yes
California	Yes	Pennsylvania	Yes
Colorado	Yes	Rhode Island	Yes
Georgia	Yes	Tennessee	Yes
Hawaii	Yes	Utah	No
Illinois	Yes	West Virginia	Yes
Indiana	No	Wisconsin	Yes
Kansas	Yes	Wyoming	No
Louisiana	Yes	District of Columbia	Yes
Maryland	Yes	American Samoa	No
Mississippi	Yes	Guam	No
Montana	No	N. Mariana Islands	No
Nevada	No	Puerto Rico	No
New Hampshire	No	U.S. Virgin Islands	No

Source: Congressional Research Service (CRS) prepared table with data provided by the U.S. Department of Education Office of Special Education and Rehabilitation Services.

Note: FY2009 order of selection information is the latest available data.

Table A-2. Order of Selection Status for General and Blind Vocational Rehabilitation Agencies, by State, FY2009

State	Order of Selection	
	General Agency	Blind Agency
Arkansas	Yes	Yes
Connecticut	Yes	No
Delaware	Yes	Yes
Florida	Yes	No
Idaho	No	No
Iowa	Yes	No
Kentucky	Yes	Yes
Maine	Yes	Yes
Massachusetts	Yes	No
Michigan	No	No
Minnesota	Yes	No
Missouri	Yes	No
Nebraska	Yes	No
New Jersey	Yes	No
New Mexico	No	No
New York	No	No
North Carolina	No	No
Oregon	Yes	Yes
South Carolina	No	No
South Dakota	Yes	No
Texas	No	No
Vermont	Yes	No
Virginia	Yes	Yes
Washington	No	No

Source: CRS prepared table with data provided by the U.S. Department of Education Office of Special Education and Rehabilitation Services.

Note: FY2009 order of selection information is the latest available data.

Appendix B. Vocational Rehabilitation Appropriations and State Allotment Data

Table B-1. Changes in Vocational Rehabilitation Appropriations and the Consumer Price Index for all Urban Consumers (CPI-U), FY2000-FY2010

FY	Appropriations Law	Appropriation (in thousands of $)	Change from Previous FY (%)	Change in CPI-U (%)[a]
2000	P.L. 106-113	2,338,977	*n/a*	*n/a*
2001	P.L. 106-554	2,399,790	2.6	2.6
2002	P.L. 107-116	2,481,383	3.4	3.4
2003	P.L. 108-7	2,533,492	2.1	2.1
2004	P.L. 108-199	2,584,162	2.0	2.0
2005	P.L. 108-447	2,635,845	2.0	2.0
2006	P.L. 109-149	2,720,192	3.2	3.2
2007	P.L. 110-5 [b]	2,837,160	4.4	4.4
2008	P.L. 110-161	2,874,043	1.3	1.3
2009	P.L. 111-5 [c]	540,000	*n/a*	*n/a*
	P.L. 111-8	2,974,635	3.5	3.5
2010	P.L. 111-117	3,084,696	3.7	3.7
2011	(estimate)	3,141,529	-0.2	-0.2

Source: CRS prepared table with data on appropriations from the conference reports accompanying each FY's appropriations bill and data on the CPI-U from the website of the Department of Commerce, Bureau of Labor Statistics at ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt.

Notes: Appropriations data includes money appropriated to Native American Indian Tribes under the provisions of Section 121 of the Rehabilitation Act of 1973 (29 U.S.C. § 741).

a. The appropriation for a given fiscal year is based on the appropriation for the previous fiscal year increased by the change in the CPI-U of the second previous fiscal year using data reported in the month of October. For example, the mandatory minimum appropriation for FY2010 was based on the appropriation for FY2009 increased by the change in the CPI-U from October 2007 to October 2008.

b. P.L. 110-5 was the fourth in a series of continuing resolutions used to make appropriations for FY2007.

c. P.L. 111-5 (Recovery Act) provided supplemental grants for VR agencies. States and territories were not required to match Recovery Act grants.

Table B-2. Inflation Adjusted Changes in Vocational Rehabilitation Appropriations and the Consumer Price Index for all Urban Consumers (CPI-U), FY2000-FY2011 (est.)

FY	Inflation-adjusted 2009 dollars (in thousands of $)[a]	Change from Previous FY (%)
2000	3,102,043	*n/a*
2001	3,113,922	0.38
2002	3,115,087	0.04
2003	3,092,505	-0.72
2004	3,105,261	0.41
2005	3,096,788	-0.27
2006	3,112,985	0.52
2007	3,140,444	0.88
2008	3,081,855	-1.87
2009	3,101,387	0.63
2010	3,097,218	-0.13
2011 (est.)	3,165,544	2.21

Source: CRS prepared table with CPI-U from the website of the Department of Commerce, Bureau of Labor Statistics at ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt.

Notes: The change between the October 2008 CPI-U and October 2007 CPI-U was used to determine funding for FY2010 and FY2011.

a. Inflation-adjusted appropriation figure is calculated by dividing the CPI-U in October 2009 by the annual average CPI-U during each FY of funding. That ratio is then multiplied by the actual (or estimated) appropriation for each fiscal year to establish the inflation-adjusted figure. Each figure has been rounded to the nearest thousand.

Table B-3. FY2010 and FY2011 VR State and Territorial Allotments (Estimated)

State or Territory	FY2010 Allotment (est. in $)	FY2011 Allotment (est. in $)	Percent change	State or Territory	FY2010 Allotment (est. in $)	FY2011 Allotment (est. in $)	Percent change
Alabama	59,746,023	60,544,093	1.3	New Hampshire	11,650,039	12,161,703	4.4
Alaska	11,157,490	10,700,000	-4.1	New Jersey	59,391,388	58,929,858	-0.8
Arizona	64,465,810	65,780,848	2.0	New Mexico	23,987,102	25,090,303	4.6
Arkansas	44,037,738	38,937,435	-11.6	New York	176,844,444	151,430,274	-14.4
California	290,143,755	294,745,750	1.6	North Carolina	106,916,369	105,046,778	-1.7
Colorado	39,952,101	40,948,872	2.5	North Dakota	10,157,490	10,700,000	5.3
Connecticut	31,121,705	21,496,957	-30.9	Ohio	98,527,009	132,807,466	34.8
Delaware	10,807,490	10,700,000	-1.0	Oklahoma	41,092,230	42,803,279	4.2
District of Columbia	13,345,845	13,917,038	4.3	Oregon	39,071,791	39,665,502	1.5
Florida	159,153,979	163,735,892	2.9	Pennsylvania	128,694,693	131,162,598	1.9
Georgia	76,510,963	105,502,956	37.9	Rhode Island	13,007,431	10,990,424	-15.5
Hawaii	14,655,080	11,940,438	-18.5	South Carolina	55,390,599	56,798,205	2.5
Idaho	15,816,223	17,941,411	13.4	South Dakota	10,157,490	10,700,000	5.3
Illinois	117,943,665	114,120,873	-3.2	Tennessee	72,509,053	73,706,593	1.7
Indiana	62,548,597	74,884,440	19.7	Texas	235,794,815	238,060,411	1.0
Iowa	27,328,850	34,269,022	25.4	Utah	37,672,947	32,451,823	-13.9
Kansas	29,188,253	29,669,655	1.6	Vermont	13,247,490	10,700,000	-19.2
Kentucky	47,154,772	56,854,080	20.6	Virginia	71,479,094	67,643,916	-5.4
Louisiana	31,482,174	58,249,752	85.0	Washington	52,131,288	55,793,554	7.0
Maine	16,689,618	16,597,894	-0.5	West Virginia	54,579,169	27,041,702	-50.5
Maryland	47,029,781	41,300,272	-12.2	Wisconsin	55,648,243	61,453,884	10.4
Massachusetts	67,075,320	49,365,649	-26.4	Wyoming	8,912,009	10,700,000	20.1
Michigan	102,486,112	109,663,334	7.0	American Samoa	1,081,888	1,149,887	6.3
Minnesota	47,219,322	48,033,867	1.7	Guam	2,052,208	3,171,524	54.5
Mississippi	44,514,376	43,997,566	-1.2	Northern Mariana Islands	877,825	947,052	7.9
Missouri	62,515,686	69,018,672	10.4	Puerto Rico	75,355,380	75,864,285	0.7
Montana	12,087,792	11,966,190	-1.0	U.S. Virgin Islands	2,101,025	2,163,263	3.0
Nebraska	19,872,496	19,613,355	-1.3	Indian set-aside	42,899,000	38,000,000	-11.4
Nevada	17,364,524	19,898,405	14.6	Undistributed	50,351	0	-100.0

Source: CRS prepared table with data from the Department of Education website at http://www2.ed.gov/about/overview/budget/statetables/11stbyprogram.xls.

Notes: Does not include any reallotments that may have occurred in FY2009. Final allotment data is not yet available for FY2010 or FY2011.

Table B-4. Vocational Rehabilitation State and Territorial Allotments from the American Recovery and Reinvestment Act of 2009 Supplemental Grant

State or Territory	Allotment ($)	State or Territory	Allotment ($)
Alabama	9,790,731	Nevada	4,217,502
Alaska	1,800,000	New Hampshire	1,923,884
Arizona	13,086,333	New Jersey	9,455,472
Arkansas	6,589,832	New Mexico	4,426,362
California	56,470,213	New York	25,694,844
Colorado	7,307,044	North Carolina	18,029,008
Connecticut	3,334,533	North Dakota	1,800,000
Delaware	1,800,000	Ohio	21,589,801
District of Columbia	1,879,421	Oklahoma	7,583,851
Florida	32,158,840	Oregon	7,064,114
Georgia	18,686,184	Pennsylvania	20,925,941
Hawaii	2,249,150	Rhode Island	1,734,860
Idaho	3,299,632	South Carolina	9,686,547
Illinois	20,079,289	South Dakota	1,800,000
Indiana	12,335,350	Tennessee	12,177,598
Iowa	5,715,709	Texas	44,810,968
Kansas	5,108,753	Utah	6,006,642
Kentucky	9,318,274	Vermont	1,800,000
Louisiana	9,895,321	Virginia	11,601,624
Maine	2,587,757	Washington	10,437,937
Maryland	6,879,192	West Virginia	4,312,919
Massachusetts	7,068,629	Wisconsin	10,000,997
Michigan	18,126,329	Wyoming	1,800,000
Minnesota	7,737,672	American Samoa	204,598
Mississippi	7,214,520	Guam	554,268
Missouri	11,375,265	Northern Mariana Islands	270,196
Montana	2,059,043	Puerto Rico	12,596,832
Nebraska	3,189,315	U.S. Virgin Islands	350,904

Source: CRS prepared table with data from the Department of Education website at http://www2.ed.gov/about/overview/budget/statetables/11stbyprogram.xls.

Note: P.L. 111-5 (Recovery Act) provided one-time, supplemental funding for VR agencies. States and territories were not required to match Recovery Act grants.

Appendix C. Vocational Rehabilitation Funds Returned for Reallotment

Table C-1. Vocational Rehabilitation Funds Returned for Reallotment, FY2003-FY2009

FY	Amount Returned ($)	Percentage of Total Federal Allotment
2003	22,442,536	0.89
2004	28,706,583	1.11
2005[a]	16,671,351	0.63
2006	14,179,566	0.52
2007	28,034,047	0.99
2008	17,835,607	0.62
2009	57,048,789	1.92
Total	*184,918,479*	*0.95*

Source: CRS prepared table with data provided by the U.S. Department of Education Office of Special Education and Rehabilitation Services.

Note: Returned funds data not available for FY2010.

a. Does not include reallotments made under the provisions of the Assistance for Individuals with Disabilities Affected by Hurricanes Katrina or Rita Act of 2005, P.L. 109-82.

Appendix D. State Vocational Rehabilitation Allotments, Modified Allotments, and Population Data

Table D-1. Vocational Rehabilitation State FY2007 Allotments, FY2007 Modified Allotments, and 1976 to 2007 Population Growth

State	Actual FY2009 Allotment ($)Error! Reference source not found.	Estimated FY2009 Modified Allotment ($)[b]	Difference as % of FY2009 Actual Allotment	Population Growth, 1976 to 2007 (%)
Alabama	61,049,994	57,667,296	5.87	24.17
Alaska	10,195,073	11,004,000	-7.35	70.16
Arizona	61,333,265	70,906,322	-13.50	171.18
Arkansas	39,532,216	39,019,716	1.31	30.97
California	284,801,269	305,833,885	-6.88	65.15
Colorado	37,762,655	39,567,410	-4.56	83.96
Connecticut	23,337,633	21,913,570	6.50	13.14
Delaware	11,083,213	12,196,558	-9.13	46.55
District of Columbia	12,989,280	10,153,977	27.92	-15.29
Florida	158,864,413	174,190,620	-8.80	110.88
Georgia	76,490,231	74,330,489	2.91	85.74
Hawaii	12,882,243	14,194,911	-9.25	41.21
Idaho	16,037,375	17,042,892	-5.90	74.94
Illinois	113,449,013	115,409,618	-1.70	12.66
Indiana	68,785,415	66,760,130	3.03	17.76
Iowa	32,073,576	30,932,567	3.69	2.61
Kansas	27,795,281	27,653,947	0.51	20.63
Kentucky	53,469,261	50,420,821	6.05	20.60
Louisiana	33,085,896	20,156,790	64.14	10.77
Maine	15,802,368	14,548,962	8.62	21.03
Maryland	45,611,435	45,862,634	-0.55	35.75
Massachusetts	53,182,289	46,955,635	13.26	13.16
Michigan	99,951,580	98,109,396	1.88	10.10
Minnesota	44,744,290	42,217,313	5.99	30.94
Mississippi	43,469,871	40,372,712	7.67	20.25
Missouri	64,783,567	62,552,001	3.57	22.13
Montana	11,750,000	11,901,539	-1.27	26.40
Nebraska	19,012,225	18,770,765	1.29	14.12

State	Actual FY2009 Allotment ($)Error! Reference source not found.	Estimated FY2009 Modified Allotment ($)[b]	Difference as % of FY2009 Actual Allotment	Population Growth, 1976 to 2007 (%)
Nevada	10,236,604	11,059,766	-7.44	296.89
New Hampshire	12,157,592	11,916,770	2.02	55.85
New Jersey	59,067,925	54,638,825	8.11	17.66
New Mexico	23,994,920	24,635,631	-2.60	65.54
New York	156,038,494	145,453,242	7.28	8.26
North Carolina	97,149,937	97,598,558	-0.46	61.63
North Dakota	9,795,073	10,466,897	-6.42	-1.18
Ohio	121,443,769	113,901,713	6.62	7.14
Oklahoma	42,098,298	41,045,893	2.56	27.78
Oregon	43,983,351	48,169,495	-8.69	56.96
Pennsylvania	124,249,697	113,200,133	9.76	5.25
Rhode Island	10,704,195	9,989,398	7.16	11.51
South Carolina	53,953,306	53,774,767	0.33	50.30
South Dakota	10,020,073	9,694,869	3.35	16.12
Tennessee	68,343,348	65,903,284	3.70	42.01
Texas	227,487,659	242,678,741	-6.26	84.73
Utah	31,788,834	35,220,100	-9.74	108.94
Vermont	10,345,073	11,038,981	-6.29	27.95
Virginia	67,262,735	66,820,446	0.66	50.72
Washington	53,176,641	56,526,480	-5.93	75.03
West Virginia	25,912,097	23,328,857	11.07	-3.63
Wisconsin	57,088,852	54,117,103	5.49	21.88
Wyoming	8,832,163	9,173,942	-3.73	31.86

Source: CRS prepared table with FY2009 Allotments data from the website of the Department of Education at http://www2.ed.gov/about/overview/budget/statetables/11stbyprogram.xls; population estimates from the Department of Commerce, U.S. Census Bureau for 2007 at http://www.census.gov/popest/states/tables/NST-EST2009-01.xls and for 1976 at http://www.census.gov/popest/archives/1980s/st7080ts.txt.

Notes: The Census Bureau estimates the mid-year population for states and territories on July 1 of each year. Therefore, the final allotment for any given fiscal year is calculated using population estimates from the month of July, from the second previous year. Final allotments for FY1978 were calculated using July 1, 1976 population estimates and final allotments for FY2009 were calculated using July 1, 2007 population estimates.

a. FY2009 is the latest available data for final VR grant allotments.

b. FY2009 Modified Allotments are calculated by multiplying a state's share of the excess amount by the total appropriation for FY2009.

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